FISCAL NOTE

HB 3010 - SB 3082

March 1, 2000

SUMMARY OF BILL:

- Makes numerous technical corrections and changes to tax laws enacted under Chapter 406 of the Public Acts of 1999.
- Redefines "not-for-profit" so that additional entities that are exempt from federal income tax would also be exempt from franchise, excise tax.
- Specifies that a single member limited liability company whose single member is a general partnership and which is disregarded for federal income tax purposes would be subject to excise and franchise taxes.
- Adds to "net earnings" or "net loss" any gross premium taxes by an insurance company that does not take a credit for gross premium taxes.
- Broadens excise tax exemptions to include limited liability companies and limited partnerships where all members or partners agree to full liability; farming-related limited liability companies; real estate investment conduits (REMICs) and financial asset securitization trusts (FASITs) if such entities' sole purpose, except for foreclosures and dispositions of the assets of foreclosures, is the asset-backed securitization of debt obligations.
- Amends the apportionment formula for "property" to include a taxpayer's ownership share of real or tangible property owned or rented by a general partnership or entity treated as a partnership for federal income tax purposes, in which the taxpayer has an ownership interest. Under existing law, "property" includes a taxpayer's share of any specific property of a general partnership in which such taxpayer has a partnership interest.
- Lowers the franchise, excise tax payment required with an extension request from 100% to 90% of the current year's tax liability.
- Allows a taxpayer filing on a separate entity basis who does not keep its books and records using generally accepted accounting principles to calculate net worth and property for franchise tax purposes using the same method the entity uses for federal income tax purposes.
- Contains guidelines whereby a person meeting the following criteria could apply the job tax credit, industrial machinery credit and net operating loss carryover to which it would have been entitled under the law prior to passage of the 1999 tax revision and reform act:
    - The person was formed as a business entity after December 31, 1995
    - The person was not subject to Tennessee franchise, excise taxes prior to date that the Tax Revision and Reform Act of 1999 became applicable to it.
    - The person, if subject to franchise taxes before the act, could have qualified for the job tax credit and any carryover thereof for the calendar tax years 1997 and 1998.
- Prohibits the state and local governments from contracting to acquire goods or services unless the person contracting to supply the goods or services has registered with the Department of Revenue to collect and remit sales and use taxes.

ESTIMATED FISCAL IMPACT:

State Revenues - Net Impact - Not Significant
Increase State Expenditures - $48,000 One-Time

Estimate assumes the following:

- The amount of increases and decreases in state revenues as a result of changes contained in the bill cannot be determined, however, based on information provided by the Department of Revenue the net impact on state revenues is estimated to be not significant.
- A one-time increase in state expenditures of approximately $48,000 for MIS system implementation changes in the Department of Revenue.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport

James A. Davenport, Executive Director